

BEFORE THE ACCOUNTANCY EXAMINING BOARD  
OF THE STATE OF IOWA

---

IN THE MATTER OF:	)	CASE NO. 96-18
	)	
IVAN ARTHUR CPA, PC	)	
K. IVAN ARTHUR AND	)	
KAY L. CHAPMAN	)	
IA PERMIT NOS. 97-0774	)	<b>SETTLEMENT AGREEMENT</b>
96-0578 and 96-0360	)	<b>AND CONSENT ORDER</b>
	)	
RESPONDENT.	)	

---

The Iowa Accountancy Examining Board, Kenneth Ivan Arthur, Ivan Arthur CPA, P.C., and Kay L. Chapman enter into this Settlement Agreement and Consent Order (Order), pursuant to Iowa Code section 17A.10 (1997) and 193A IAC 12.7:

1. The Board has jurisdiction of this matter pursuant to Iowa Code chapters 17A, 542C, and 272C (1997).
2. The Board filed a Statement of Charges on September 11, 1997. Hearing is currently set for December 17, 1997.
3. Respondents do not admit all allegations in the Statement of Charges, but they agree the Board may rely on the allegations as providing the factual basis for this Order. Respondent Chapman specifically denies the allegations in Arthur's Answer. The Board makes no factual findings regarding Arthur's allegations or Chapman's denial.
4. Respondents have a right to a hearing on the charges, but waive their right to hearing and all attendant rights, including the right to appeal, by freely and voluntarily agreeing to this Order. Once entered, this Order shall have the force and effect of a disciplinary order entered following contested case hearing.

5. Respondents agree the State's counsel may present this Order to the Board and may have ex parte communications with the Board while presenting it.

6. This Order shall be part of the permanent record of Respondents and shall be considered by the Board in determining the nature and severity of any disciplinary action to be imposed in the event of any future violations.

7. This Order and the Statement of Charges are public records available for inspection and copying in accordance with the requirements of Iowa Code chapter 22 (1997).

8. Failure to comply with the provisions of this Order shall be considered prima facie evidence of a violation of Iowa Code section 542C.21(4) (1997), and shall be grounds for disciplinary action pursuant to Iowa Code section 272C.3(2)(a) (1997). However, no action may be taken against Respondents for violations of these provisions without a hearing, or waiver of hearing.

9. This Agreement is subject to approval of the Board:

(a) If the Board fails to approve this Agreement, it shall be of no force or effect on either party, and it shall not be admissible for any purpose in further proceedings in this matter.

(b) If the Board approves this Agreement, it shall fully dispose of all issues in this case.

10. Respondent Arthur has previously entered into a Stipulation with the board dated March 23, 1991. As part of that Stipulation, Arthur agreed to complete 14 contact hours of continuing professional education in the subject areas of audit and accounting in 1991 and 1992. Arthur successfully completed the required continuing education.

Respondent Chapman has not been previously disciplined by the Board, nor was she ever a principal in Arthur's firm. Chapman now has her own firm.

**IT IS THEREFORE ORDERED:**

**A. Reprimand**

Respondents are reprimanded for failing to comply with the auditing standards described in the Statement of Charges

**B. Continuing Education**

Respondents shall obtain a minimum of 24 contact (interactive classroom) hours of continuing professional education in the subject areas of audit and accounting in 1998 and 1999 (for a total of 48 hours). Respondents shall provide proof of successful completion of this requirement on or before January 15, 1999 (for 1998) and January 15, 2000 (for 1999). Respondents may not count these hours toward those required for permit renewal. Respondents shall also complete the AICPA Ethic's course (home study with test) in time to mail it to the AICPA by February 1, 1998, and shall provide the Board a certification of successful completion from the AICPA within 10 days of receipt.

**C. Practice Restriction**

Respondent Arthur agrees not to complete governmental audits starting January 1, 1998. He also agrees not to accept any new audit or review clients from and after the date of this Order without prior approval of the Board. Arthur represents that a complete list of his current audit clients is attached hereto as Exhibit A. Arthur understands the Board will provide a copy of this Order to each of these clients within 10 days of the date this Order is accepted by the Board.

**D. Desk Review**

Respondent Arthur shall develop, at his sole expense, a desk review consultation

agreement with a firm of certified public accountants holding a permit to practice in the state of Iowa for the purpose of reviewing audits and reviews completed by Arthur or his firm from and after January 1, 1998. The firm must be pre-approved by the Board. The following terms shall apply:

(1) Respondent shall submit for pre-release review all workpapers, reports, and related documents for each audit or review completed on or after January 1, 1998.

(2) An executed copy of the agreement shall be submitted to the Board prior to implementation of the agreement.

(3) The reviewing firm shall perform a desk review of the workpapers, reports and related documents for each audit or review. The review shall be for facial compliance with minimum accounting and auditing standards. The reviewer will not perform field work or warrant the accuracy of Respondent's work product, but will review workpapers, review programs, reports, and any other documents reasonably needed. The reviewer shall prepare written comments on each audit or review.

(4) The reviewer's recommended revisions or corrections, if any, shall be incorporated into each final audit or review report prior to releasing the report to the client or any third party. A copy of the reviewer's comments shall be submitted directly to the Board from the reviewer. The comments do not need to be received by the Board prior to the completion of the audit or review.

(5) Respondent will promptly provide the Board, upon request, with copies of all workpapers, review programs, reports or other documents related to the reviews and audits subject to desk review.

(6) Respondent may petition the Board for release from this requirement after two years have passed from the date of this Order. The Board retains full discretion on whether to release Respondent from desk review.

**E. Peer Review**

Respondent Chapman started her own CPA firm in August, 1997, and is required to submit to peer review within 18 months of that date. She agrees to complete the required peer review by July 15, 1998, and agrees, despite statutory confidentiality, to supply the Board with a copy of the peer review report within 10 days of receipt.

This settlement and final Order shall not preclude the Board from filing additional charges if one or more of the reviews or audits subject to desk review demonstrate probable cause to take such an action. The Order shall also not preclude the Board from taking appropriate action in the event it receives any further complaints against either Respondent.

**Agreed:**

[Redacted Signature]

David Vaudt, Chair  
Iowa Accountancy Examining Board

12/22/97  
Date

[Redacted Signature]

Kenneth Ivan Arthur, individually and  
on behalf of Ivan Arthur CPA, P.C.

Dec 11, 1997  
Date

[See next page]

\_\_\_\_\_  
Kay L. Chapman

\_\_\_\_\_  
Date

(6) Respondent may petition the Board for release from this requirement after two years have passed from the date of this Order. The Board retains full discretion on whether to release Respondent from desk review.

E. Peer Review

Respondent Chapman started her own CPA firm in August, 1997, and is required to submit to peer review within 18 months of that date. She agrees to complete the required peer review by July 15, 1998, and agrees, despite statutory confidentiality, to supply the Board with a copy of the peer review report within 10 days of receipt.

This settlement and final Order shall not preclude the Board from filing additional charges if one or more of the reviews or audits subject to desk review demonstrate probable cause to take such an action. The Order shall also not preclude the Board from taking appropriate action in the event it receives any further complaints against either Respondent.

Agreed:


  
\_\_\_\_\_  
David Vaudt, Chair  
Iowa Accountancy Examining Board

12/27/97  
\_\_\_\_\_  
Date

[see prior page]

\_\_\_\_\_  
Kenneth Ivan Arthur, individually and  
on behalf of Ivan Arthur CPA, P.C.

\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Kay L. Chapman

12/12/97  
\_\_\_\_\_  
Date